

*HISTORY OF MODERN BANKS OF
ISSUE.*

The war between Russia and Japan over the control of Manchuria began in February, 1904, and hostilities practically ceased in June, 1905. The attack of the Japanese upon the Russians was followed by a serious break in the markets of Paris and Berlin, but partial recovery soon took place. The estimated cost of the war to Russia was about \$840,000,000, but this did not represent the disbursements after the peace.¹ The cost to Japan, up to the close of 1906, was officially calculated at about \$1,000,000,000.² The war between Spain and the United States in 1898, though of minor importance, cost the United States about \$165,000,000,* and for a time seriously impaired Spanish credit. Thus, in these several conflicts in arms were expended not less than \$2,800,000,000, making demands upon the savings of the world equal to more than the usual output of all classes of securities for an entire year.

Coincident with this great destruction of wealth in war was an unprecedented demand for capital for new industrial enterprises. As usual in periods of expanding trade, the resources applied to these enterprises were converted in excessive "amounts into fixed forms and the supply of circulating capital became deficient. A period of redundant capital followed the prostration of 1893. During this period, when interest rates in Europe sunk to 2 or 3 per cent, and important government loans were refunded at low rates, refunding operations constituted a large proportion of the issues of new securities. When rates for money rose, however, and capital began to become scarce, about 1897, refunding operations substantially ceased. They were resumed to some extent in 1902 and 1903, chiefly in the case of important government loans, but were again brought substantially to a halt in the next two years. In the table given below, based upon the figures of the *Moniteur des Inttrits Mat/rzels*, total issues of all classes of securities are given, with con-

¹ Raffalovich, *March@ Financier en 1003-06*, 450.

² Report on the War Finance, 1906, 12.

⁸ **Report of the Treasurer of the United States, Finance Report***, 1898, 7.